

# AMP Capital Equity

## Quarterly Investment Option Update

30 June 2022

### Aim and Strategy

To provide high returns over the long term while accepting high levels of volatility in returns, by investing in a portfolio of shares listed or about to be listed on the Australian Securities Exchange. The portfolio aims to provide returns, after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3-year basis. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, the investment manager employs a systematic rules-based approach where no individual stock fundamental analysis is conducted and the investment team use large sets of data to analyse stocks through intelligent screening methods. Passive, enhanced index and smart beta are examples of systematic approaches.

### Investment Option Performance

To view the latest investment performances for this product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

### Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	Very high
<b>Investment style</b>	Active
<b>Manager style</b>	Single

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	4.04
Australian Shares	84.85
Listed Property and Infrastructure	8.86
Cash	2.25

<b>Sector Allocation</b>	<b>%</b>
Financials	27.82
Materials	24.26
Health Care	9.91
Consumer Discretionary	6.59
Real Estate	6.40
Energy	6.11
Industrials	5.70
Consumer Staples	5.22
Communication Services	3.76
Information Technology	2.76
Utilities	1.35
Cash	0.12

Top Holdings	%
BHP Group Ltd	10.51
COMMONWEALTH BANK AUST	7.61
CSL Ltd	6.54
NATIONAL AUSTRALIA BANK	4.53
WESTPAC BANKING CORP	3.28
Australia & New Zealand Banking Group Ltd	3.24
MACQUARIE GROUP LTD	3.08
Woodside Energy Group Ltd	3.02
TELSTRA CORP LTD	2.32
WESFARMERS LTD	2.27

## Fund Performance

The Fund marginally underperformed the S&P/ASX 200 Accumulation Index benchmark during the June quarter. At an individual stock level, the key detractors from relative performance included an underweight position in Woodside Energy, which benefited alongside other stocks in the energy sector on the back of the continued strength in underlying commodities prices. Overweight positions in JB Hi-Fi and CSR also held back returns, with the building products company lagging as investor sentiment weakened following concerns of rising costs and falling demand due to rising mortgage rates.

Key contributors to relative performance for the quarter included underweight positions in Oz Minerals, Commonwealth Bank of Australia and Evolution Mining, with the gold miner coming under pressure following a disappointing business update in March and weakness in the gold price also weighed. Investors sold off banking giant Commonwealth Bank shares during the period in response to market volatility and the Reserve Bank's cash rate hike. While rate hikes are generally good news for the banks as it boosts their net interest margins, there are risks that credit growth slows and that bad debts increase. At the end of the quarter, the largest overweight positions in the Fund were Orora Ltd, Aristocrat Leisure and Santos.

## Market Review

Australian shares fell significantly over the June quarter on the back of broader global falls, with the S&P/ASX 200 index returning -11.9% (on a total return basis) for the period. Similar to international shares, Australian share prices continued to be driven by rising interest rates, higher inflation and fears of recession. Australian corporate earnings, which are weighted towards financials largely on the back of residential property, also added to concern as the housing sector came under further pressure amid the rising rate environment. A number of major home builders also experienced financial strife during the period, further impacting confidence. On the positive side, Australia's economy continues to reap benefits from high commodity prices, particularly coal, which recently overtook iron ore as our largest export. However, a turbulent, struggling energy market, not helped by the war in eastern Europe, impacted energy stocks over the period. At a sector level, information technology (IT) was the weakest performer as the segment continued its global correction which began in 2021. Real estate and financials also struggled over the quarter. Relatively better performance meanwhile was seen in more defensive sectors, such as utilities and healthcare.

## Outlook

Corporate earnings growth in Australia remains reasonably strong, with earnings and dividends still growing, though at a slightly reduced rate. Cost pressures however are impacting businesses and, in many cases, are being passed onto the customer. The broader economy exhibits strong employment levels and terms of trade, however consumers' ability to spend is falling as interest rates rise. Like overseas markets, inflation remains a prime concern, reflected by a hawkish RBA. The downturn in housing is also a concern for equity markets as interest rates rise. Longer-term, we believe the market will continue its upwards path, with volatility in the shorter-term likely to provide opportunities along the way.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0018AU**
Flexible Lifetime - Investments (Series 2)	AMP1394AU**
SignatureSuper	AMP2047AU*
SignatureSuper - Allocated Pension	AMP2048AU*
SignatureSuper Term Pension	AMP2048AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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